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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 02/25/10

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ARTICLES:

(1) Japan-U.S. talks set to start today; reduction in "sympathy budget" to take center stage; a salary review certain to throw talks into confusion

ASAHI (Page 3) (Full)  
February 25, 2010

Masahiro Tsuruoka, Hisashi Ishimatsu

Foreign and defense officials of Japan and the United States will begin talks today on Japan's host nation support (omoiyari yosan, literally "sympathy budget") for U.S. forces stationed in Japan. The reason is that the Japan-U.S. Special Measures Agreement connected to HNS will expire in March 2011. The Japanese side is expected to

seek (U.S. understanding) of a reduction in HNS through a review of the salary levels of base workers, as was recommended during the government's screening of budgetary requests for state projects. The U.S. side is likely to put up resistance.

HNS will be taken up in the deputy-director-level talks that will be attended by visiting Principal Deputy Assistant of State Joseph Donovan, Deputy Assistant Secretary of Defense Michael Schiffer, and other senior State Department officials responsible for security talks from the U.S. side.

Foreign Minister Katsuya Okada had initially revealed a plan to address a review of HNS after settling the issue of relocating the U.S. Marine Corps' Futenma Air Station (in Ginowan, Okinawa Prefecture), but it has been decided to begin the bilateral talks without waiting for a settlement. The Japanese side intends to submit an agreement bill to the Diet in this fall's extraordinary session and have it approved there. "To do so, talks must start now," a person familiar with the situation said.

There is concern among officials in charge that a complication of the Futenma issue, which the Japanese government is aiming to settle by the end of May, might prevent the two sides from discussing HNS in a level-headed manner. The bilateral agreement was last revised in 2008. During that period, Diet approval of a bill revising the bilateral agreement was delayed owing to the confrontation between the ruling and opposition camps over tax revenues for road projects, creating a period without a Japan-U.S. agreement for the first time.

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Last November the government screened the salary levels of base workers that are currently uniform throughout the country. During the screening, it was pointed out that the base pay of base workers in Okinawa Prefecture and elsewhere exceed the salary levels of the private sector. Yukio Edano, who served as the screening team leader, concluded (the salary levels) need a review. Edano has since become state minister for government revitalization.

During the period when the Democratic Party of Japan (DPJ) was an opposition party, it raised questions about the fact that such occupations as pleasure-boat operators and animal caretakers that are for recreational purposes are included in the types of jobs covered by HNS. They might become subject to a review.

In the DPJ administration there are strong calls for a review because (HNS) is regarded as symbolizing the previous LDP administration's effort to maintain the Japan-U.S. alliance. When Japan started providing HNS in 1978, its assistance covered only welfare and other expenses for workers. Japan's support gradually expanded to cover their special allowances, basic pay, and utilities. In fiscal 1999, HNS swelled to 275.6 billion yen.

Utilities, special allowances, and other expenses have been reviewed in recent years owing to Japan's deteriorating fiscal situation. The fiscal 2010 budget includes 191.9 billion yen for HNS, which is about the same level as that of fiscal 1992.

Nevertheless, it is difficult to fully review and deeply cut HNS.

During his visit to Japan last fall, Secretary of Defense Robert Gates discouraged Japan from cutting back on HNS, pointing out that the presence of the U.S. military has helped Japan curb its defense spending.

A review of workers' salary levels might have a negative impact on employment in areas near the bases. The All Japan Garrison Forces Labor Union, which supported the DPJ in last year's general election, is also opposed to a review. As such, a full-fledged discussion might not take place until after the House of Councillors election this summer.

(2) Membership of panel on National Defense Program Guidelines reflects Hatoyama administration's purge of LDP color, focus on Asia

Hisashi Ishimatsu

The membership of the Council on Security and Defense Capabilities for the New Era set up by the Hatoyama cabinet to work on the revision of the National Defense Program Guidelines (NDPG) before the end of 2010 reflects the Democratic Party of Japan's focus on Asia and the United Nations. It appears that one purpose of the panel is to provide the theoretical foundation for the concepts advocated by Prime Minister Yukio Hatoyama, such as the East Asian Community and the deepening of the Japan-U.S. alliance.

The theme of the panel's second meeting on Feb. 24 was the "international military situation in areas close to Japan." Council members voiced the following opinions: "China should be watched to

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see if the trends so far (such as military expansion) continue into the future" and "There could be new ways to cooperate with the Republic of Korea in security."

The only council member who has been reappointed from the council under the previous Aso administration is Professor Hiroshi Nakanishi of Kyoto University's graduate school. Professors Shinichi Kitaoka and Akihiko Tanaka of Tokyo University, theoreticians on security issues whose services were frequently sought under the Liberal Democratic Party administrations, have not been appointed to the new panel.

The new members of the panel reflect the focus on Asia. Their combined expertise nearly covers all of Asia.

Takashi Shiraishi, president of the Institute of Developing Economies of the Japan External Trade Organization, is a well known scholar on Southeast Asia. His publications include the book Umi no Teikoku: Ajia wo Do Kangaeru ka (Martime Empire: Perspectives on Asia). Senshu University Professor Takako Hirose is an expert on South Asian politics and foreign relations and is particularly well-versed in the political situation in India and Pakistan. Associate Professor Yasuhiro Matsuda of Tokyo University specializes in the politics and foreign affairs of China and Taiwan. One of the key issues in the NDPG is how to deal with regional instability resulting from the rise of China, which has implemented a double-digit increase in its defense budget for 21 consecutive years. It can be said that Matsuda was selected in light of this issue.

One other distinguishing feature of the panel is that it has a number of experts on international coordination and cooperation. President Tadashi Yamamoto of the Japan Center for International Exchange has long been involved with exchanges of experts and parliamentarians between Japan and the Western nations and Asia. He has consistently argued that "relations between countries are not built by the governments alone."

Keio University Professor Yoshihide Soeya is an advocate of "middle power diplomacy" - the idea that Japan's new foreign policy should focus on multilateral diplomacy with Asia while remaining anchored by the Japan-U.S. security alliance. This could well become the theoretical underpinning of Hatoyama diplomacy.

Hatoyama has advocated the concept of an "East Asian Community" since he became prime minister. However, he has not been able to obtain international understanding on this concept. The U.S. suspects that it is a scheme to exclude the U.S. It appears that the Prime Minister may be attempting to systematize his concept by gathering experts knowledgeable about the various regions of Asia and international cooperation.

Members of the Council on Security and Defense Capabilities for the New Era

Shigeo Sato, 68, CEO of Keihan Electric Railway Co., chairman

Yoko Iwama, 45, professor at the National Graduate Institute for Policy Studies, specializing in European security  
Takashi Shiraishi, 60, president of Institute of Developing Economies, Japan External Trade Organization, specializing in Southeast Asian politics  
Yoshihide Soeya, 54, professor at Keio University, specializing in

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Japanese foreign policy

Hiroshi Nakanishi, 47, professor at Kyoto University's graduate school, specializing in international politics  
Takako Hirose, 61, professor at Senshu University, specializing in South Asian politics and foreign affairs  
Yasuhiro Matsuda, 44, associate professor at Tokyo University, specializing in Asian diplomatic history, security affairs of China and Taiwan  
Tadashi Yamamoto, 73, president of Japan Center for International Exchange, specializing in international exchange  
Yasunari Ito, 64, former vice minister of defense  
Takashi Saito, 62, former chief of staff of SDF Joint Staff  
Ryozo Kato, 68, former ambassador to the U.S.

(3) Full text of statement adopted by Okinawa Prefectural Assembly on Futenma relocation

RYUKYU SHIMPO (Page 3) (Full)  
February 25, 2010

Statement on the early closure and return of the U.S. forces' Futenma Air Station, opposition to relocation within Okinawa, and demand for relocation out of Japan or out of Okinawa

The U.S. forces' Futenma Air Station is located in an urban area in central Okinawa. There is a high concentration of houses, schools, and other facilities in this area, and in case of an accident, it is assumed the damage would affect many residents and facilities in the area. This is a very dangerous location.

The crash of a CH-53D, a large U.S. Marine transport helicopter, on the campus of the Okinawa International University on Aug. 13, 2004 was just one step away from causing a major disaster. It demonstrated once again that Futenma is "the most dangerous airfield in the world."

For this reason, the people of Okinawa have strongly demanded the return of this airfield. In light of this, the governments of Japan and the United States have agreed on the complete return of the Futenma base under the 1996 Special Action Committee on Okinawa (SACO) agreement and the U.S. Forces Japan realignment talks of 2006. However, its return has not been realized even today, 13 years after the agreement. The danger posed by the airfield has been left unabated.

Based on lessons learned from the tragedy of World War II, Okinawans aspire for a peaceful and safe Okinawa with no military bases. The return of the Futenma base on condition of relocating it somewhere else under the SACO agreement will only result in its relocation within the prefecture. The popular will in Okinawa has been clearly expressed in various referendums, rallies, and public opinion polls conducted hitherto. The coastal area of Henoko in Nago City, which has been identified as the relocation site, is a precious sea area that nurtures dugongs, recognized as a natural treasure by the Japanese government and also protected under international convention, and other rare species of flora and fauna. This sea area is recognized for its unrivalled beauty in the world, with new species of coral having been discovered there.

The citizens of Ginowan and Okinawa demand the early complete return of the very dangerous Futenma Air Station. They demand that the government take responsibility for resolving all issues relating to

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the use of returned military base land and other matters.

The mayor of Nago City is opposed to building a new military base both offshore and on land in Henoko.

From the standpoint of protecting the life, property, and living environment of the people of Okinawa, the Prefectural Assembly strongly demands that the Japanese and U.S. governments close down and return the Futenma Air Station at an early date, abandon plans to relocate this base within Okinawa, and relocate it out of Japan or out of Okinawa.

Feb. 24, 2010  
Okinawa Prefectural Assembly

(To be presented to the prime minister, foreign minister, state minister for Okinawa affairs, and the chief cabinet secretary)

(4) Postal services likely to be bloated: (Part 1) Offering uniform services nationwide and cost sharing

NIKKEI (Page 5) (Full)  
February 23, 2010

The work to take a second look at postal services by the government and the ruling parties is reaching its final stage. The postal reform plan drafted by the government earlier in the month states that postal reform is to be carried out with emphasis placed on the public benefits and regional characteristics of the Japan Post group. Thus the draft hints that postal services could revert to their original form -- a government enterprise. The draft mandates Japan Post offer uniform financial services nationwide. In the meantime, the government will make the company boost profits by expanding business areas to cover the cost of providing such services. A gigantic government-affiliated company is about to come into being.

Ratio of government capital?

The government intends to submit the Postal Reform Bill (tentative name) to the Diet as early as March. The focus is on the size of the government's investment ratio and on whether or not the group's scope of business should be expanded.

Some government and ruling party officials opposed the government's draft. One remarked: "That's (Senior Vice Minister of Cabinet Office for Financial Services) Ohtsuka's (private plan)." Parliamentary Secretary of Internal Affairs and Communications Kensei Hasegawa of the People's New Party released an opinion paper stating that the government's share of Japan Post should exceed 50 percent. He said that if his opinion was rejected he would have no choice but to resign.

The draft proposes several ratios of government capital, such as over one-third or over a half. However, the government was unable to set a definite figure. Hasegawa, a former postal bureaucrat, is calling for a Japan Post system providing the minimum number of uniform services involving government necessary for people's livelihood.

In the meantime, the draft hints at a direction of allowing Japan Post in principle to enter new businesses without any restrictions.

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It indicates a policy of approving new businesses, such as housing loans or cancer insurance. It is estimated that maintaining universal services for postal savings, postal insurance, and mail delivery nationwide costs more than 1 trillion yen a year. Within the government there have been calls for raising the caps on postal savings and postal insurance.

Since offering services costs money, Japan Post's business sphere must be expanded to pay for them. This argument appears coherent. However, it could lead to the emergence of a behemoth government-affiliated company that enjoys both the trust of a government-backed entity and the degree of freedom of private companies.

## Concern about impartiality

The draft neglects the basic principle for postal privatization - improving services through the private sector's ingenuity and originality by eliminating the wasteful services endemic to government-backed enterprises. But the argument for expanding Japan Post's services is prevailing. There are indications that the attempt to alter the current flow of massive amounts of money from households to postal savings and insurance by entrusting the public sector with the use of such funds for investment, loan transactions, etc. could be reversed. Japanese Bankers Association Chairman Katsunori Nagayasu said, "If Japan Post becomes a government-backed company with government capital remaining in postal services and postal savings, then competitive conditions between Japan Post and private financial institutions would differ substantively."

The government and the ruling parties held a policy meeting on the 22nd. Some participants called for the need for the government to determine a ratio of government capital acceptable to private financial institutions. Other participants refuted this view, with one saying, "It is strange that the government is unable to bring such a matter under its control."

Ohtsuka during a debate with Heizo Takenaka, who led the postal privatization (during the Koizumi administration), indicated a certain level of understanding of the direction for privatization. State Minister for Financial Affairs Shizuka Kamei takes the position of not allowing Japan Post to revert to its former self - a state-run public corporation. However, he advocates strengthening services using post offices as bases for local residents. The government is expected shortly to consolidate its stance regarding the ratio of government capital and the upper limit of postal savings. However, views of those concerned about the scope of business and other matters are at odds.

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